



JOINT STOCK COMPANY

**„Rīgas autoelektroaparātu rūpnīca”
(reg.Nr. 4 0003030454)**

Annual report of 2011

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Information about the company

Name of the company	<i>Rīgas autoelektroaparātu rūpnīca</i>
Legal form	<i>Joint stock company</i>
Registration number in the Register of Enterprises, place and date	<i>000303045, Riga, 22.04.1998</i>
Registration number in Commercial Register, place and date	<i>40003030454, Riga, 30.06.2004</i>
Address	<i>2, Klijanu street, Riga, Latvia, LV-1013</i>
Board	<i>Alfreds Auzinsh - Chairman (since 1998) Zigurds Kalninsh (since 1998) Maksims Araslanovs (since 2003)</i>
Council	<i>Eriks Kazha – Chairman Gunars Lubis Viktors Rojs Kristina Kazha Nina Kazha</i>
Reporting period	<i>01.01.2011 - 31.12.2011</i>
Main shareholders	Basing on the list of shareholders on October 31,2010 as at the end of the day: <ol style="list-style-type: none"> <i>1. JSC „Baltijas Holdings”-43,9 % Reg.Nr.40003148033, 2, Klijanu street, Riga</i> <i>2. „Tehprojekts”,Ltd.- 43,9% Reg.Nr. 40103020397, 12,Unijas street, Riga</i> <i>3. Other physical and legal persons- 12.2%</i>
Auditor	<i>Auditing company “SARGUNS”, Ltd. Reg Nr. 41503013991 13,Malnavas street, Riga</i>

Management report

1. Information about the company and its basic activities

The company was found in 1946 under the Ministry of Automotive industry of the USSR as a manufacturer of electric equipment and other goods for automobiles and agricultural machinery. JSC “Rīgas autoelektroaparātu rūpnīca” has maintained the same profile of production - production of control and measuring devices for motorcars and tractors.

The following technological processes are used in the manufacturing: metal machining and punching, moulding of plastics, electroplating and paint coating and assembling of finished products.

The company has introduced quality management system corresponding to ISO 9001:2008.

Average number of employees in the reporting year is 40.

2. Statements

The total volume of sales in 2011 was only 46,4 % from that in 2010.

**Net turnover in 2010 was 803089 LVL
in 2011 – 372482 LVL**

The volume of production was approximately equal in both years, but in 2010 great part of sales was realized from warehouses.

The products of the enterprise are specific and are intended mainly for complete set of automobiles and agricultural machinery in Russia, Ukraine and Belarus. Therefore the production and delivery volumes are depending on the planned production volumes of automobiles' producers and from the per cent of the production of our enterprise in total delivery volumes.

The production of several items is terminated therefore JSC “RAR” is selling materials and equipment that is no more necessary.

Cash holdings in bank guarantee the ability to execute the contracts.

Today all customers' debts are real. According to the signed contracts customers shall pay for the delivered production in 30 up to 60 days.

Estimate of efficiency

Due to the complicated economic situation the result of economic activities in 2011 are losses 342998 LVL.

Solvency, capability of the company to cover its current liabilities at any time, is described by liquidity ratios.

Item	01.01.2011	31.12.2011
Total liquidity ratio (current assets/current liabilities)	27,1	3,3
Absolute liquidity ratio (cash/ current liabilities)	1.9	0.9

The ratio “*Turnover of all assets*” reveals the effectiveness of assets.

From the balance sheet (average value)

Item	Total LVL	Turnover ratio
Net turnover	372482	
All assets	2098615	0,18
Current assets	1666254	0,22
Inventory	937471	0,40
Receivables	427202	0,87

Profitability ratios

Item	2011	2010
Return on sales (profit/net turnover)	-0,84	-0,38
Return on assets (profit/ total assets)	-0,15	-0,15
Return on share capital (net profit/ share capital)	-0.10	-0,09
Return on equity capital (net profit/ equity capital)	-0.21	-0.17

Events after the balance sheet date

There have not been any significant or extraordinary events between the last day of the reporting year and the day when the management signed the report that could essentially influence data or financial position of the company.

Future prospects and further development

The board predicts that the volumes of production and sales in 2012 will be the same as in 2011. There are contracts with Russia and Ukraine but requests for deliveries are not big. The managers of Belarus have set a target to assemble in tractors only self made parts thus refusing from importing. So “RAR” do not have a contract with Minsk Tractor Plant.

It is very complicate to predict further perspectives of the enterprise in this economic situation. There are new ideas how to enlarge collaboration with Ukraine, but meanwhile the Managing board is developing measures to change and improve the organizational structure and to diminish fixed costs to carry out economic activities.

Risks for the economic activities of the company:

1) Risk for technological innovations

Developing and introducing of new technologies is an expensive process. If it is necessary to obtain new machinery, equipment, punch press or introduce new technologies, it may cost from tens of thousands EUR up to hundred of thousands EUR. It is hard to return this money because the new product takes part in a tender where design, functions, quality as well as price are evaluated. As the products are intended for complete set of definite automobiles there is a risk that a contract will not be signed for any of reasons.

2) *Quality risk and responsibility*

The company has introduced quality management system corresponding to ISO 9001:2008. According to technical demands the guarantee period is two years from the production date. The producer guarantees substitution of faulty devices during guarantee period. According to contract the producer is responsible for the quality of the product. The supplier is to pay fine for delivery of imperfect goods therefore additional expenses may arise because of substitution of the products in guarantee period.

3) *Exchange risk*

There are different currencies denoted in contracts with the suppliers of materials and sub-components as well as contracts for deliveries of the company's production. The most often is EUR. 88% of net turnover is export. Before signing of contracts the company evaluates the exchange risk and tries to avoid it.

4) *Economic and market risk*

There are three main factors which must be taken into account when setting the price – costs of production, demand and prices of competitors. If the level of prices for materials and services remain lower for the internal market of NVS (Commonwealth of Independent States) it may create essential problems for competitiveness of goods manufactured by the company. Besides, even if the prices are equal the automobile and tractor producers prefer local suppliers. The only possibility to stay in the market is to offer products of higher quality for low prices.

5) *Political risk*

Political relationships among Latvia, Russia and Belarus can have an impact on the activities of the company. At the moments of ice jam economic sanctions against Latvia are possible.

JSC “Rīgas autoelektroaparātu rūpnīca” has neither foreign mission nor branch.

The board of JSC „RAR” proposes to optimize economic activities and to cover the losses of the reporting year during the next years.

Board: _____

A.Auziņš

Z.Kalniņš

M. Araslanovs

March 16, 2012

Statement of Management Responsibility

The board of JSC „Rīgas autoelektroaparātu rūpnīca” (the Company) is responsible for the preparation of the financial statements of the Company.

The financial statements on pages 7 to 22 are prepared in accordance with underlying accounting records and source documents and present fairly the financial position of the Company as on December 31, 2011 and the results of its operations and cash flows for the period ended on December 31, 2011.

The financial statements are prepared in accordance with laws “On accountancy”, “On the annual reports” and Latvian Accounting Standards on a going company basis. Appropriate accounting policies have been applied on a consistent basis. Judgements and estimates made by the board in the preparation of the financial statements have been prudent and reasonable.

The board of JSC “RAR” is responsible for the maintenance of proper accounting records, the safeguarding of the Company’s assets and the prevention and detection of fraud and other irregularities in the Company. The board is also responsible for operating the Company in compliance with the legislation of the Republic of Latvia.

On behalf of the board,

Zigurds Kalniņš
Member of the Board

March 16, 2012

BALANCE SHEET		For the year 2011		0.702804	0.702804	
			LVL	LVL	EUR	EUR
ASSETS	Notes	Row code	At the end of the period	At the beginning of the year	At the end of the period	At the beginning of the year
			31.12.11	01.01.11	31.12.11	01.01.11
A. LONG-TERM INVESTMENTS						
1. Fixed assets						
1.1. Land, buildings and constructions	3	010	409229	417249	582280	593692
1.2. Equipment and machinery		020	11520	25304	16392	36004
1.3. Other fixed assets and inventory		030	346	674	492	959
2. TOTAL		040	421095	443227	599164	630655
2. Long-term financial investments						
2.1. Other securities and investments		050	200	200	285	285
2. TOTAL		060	200	200	285	285
A. TOTAL		070	421295	443427	599449	630940
B. CURRENT ASSETS						
1. Inventory						
1.1. Raw materials, basic materials and consumables		080	247309	262497	351889	373500
1.2. Work in progress		090	28834	35628	41027	50694
1.3. Finished goods and goods for sale	4.1.	100	572896	686289	815158	976501
1.4. Advance payments for goods	4.2.	110	15454	26035	21989	37044
1. TOTAL		120	864493	1010449	1230063	1437739
2. Debtors						
2.1. Purchasers' debts	5.1.	130	73684	176721	104843	251451
2.2. Other debtors	5.2.	140	236491	215867	336496	307151
2.3. Short-term loans	5.3.	150	75640	75640	107626	107626
2.4. Next period costs		160	166	195	236	278
2. TOTAL		170	385981	468423	549201	666506
3. Cash		3. TOTAL	489497	113664	696492	161729
B. TOTAL		190	1739971	1592536	2475756	2265974
TOTAL ASSETS		200	2161266	2035963	3075205	2896914

BALANCE SHEET		For the year 2011		0.702804	0.702804	
		LVL	LVL	EUR	EUR	
LIABILITIES	Notes	Row code	At the end of the period 31.12.11	At the beginning of the year 01.01.11	At the end of the period 31.12.11	At the beginning of the year 01.01.11
A. Equity						
1. Share capital	7	210	3565509	3565509	5073262	5073262
2. Retained profit:						
a) brought forward from previous years		220	-1596630	-1596630	-2271800	-2271800
b) for the accounting year		230	-342998		-488042	
A. TOTAL		240	1625881	1968879	2313420	2801462
B.PROVISIONS						
1.Other provisions	8	250	9674	8235	13765	11718
B. TOTAL		260	9674	8235	13765	11718
C.CREDITORS						
1. Short term creditors						
1.1. Accounts payable to suppliers and contractors	9.1.	270	131376	47377	186931	67411
1.2. Taxes and State mandatory social insurance payments	9.2.	280	10907	3545	15520	5044
1.3. Other creditors	9.3.	290	11659	7927	16589	11279
1.4.Next period income	9.4.	300	367175		522443	
1.5. Accrued obligations	9.5.	310	4594		6537	
C.TOTAL CREDITORS		320	525711	58849	748020	83734
TOTAL LIABILITIES		330	2161266	2035963	3075205	2896914

PROFIT OR LOSS ACCOUNT

For the year 2011

(LVL) (LVL) EUR EUR
0.702804

No	Item	Notes	Row code	2011	2010	2011	2010
1	Net turnover	10	010	372482	803089	529994	1142693
2	Production costs of goods sold		020	443245	847166	630681	1205409
3	Gross profit or loss		030	-70763	-44077	-100687	-62716
4	Sales costs		040	17368	28142	24712	40043
5	Administrative expenses		050	165171	272252	235017	387380
6	Other income from economic activities		060	71665	78595	101970	111831
7	Other costs of economic activities		070	132175	38798	188068	55204
8	Other interest income and similar income		080	0	1291	0	1837
9	Interest payments and similar expenses		090	0		0,00	
10	Profit or loss before extraordinary items and taxes		100	-313812	-303383	-446514	-431675
11	Profit or loss before taxes		110	-313812	-303383	-446514	-431675
12	Enterprise income tax		120				
13	Other taxes (Real estate tax)		130	29186	27474	41528	39092
14	Profit or loss for the accounting year		140	-342998	-330857	-488042	-470767

Earnings per share

-0,096 -0,093 -0,137 -0,132

STATEMENT OF CASH FLOWS for 2011

I. Cash flow from operating activities

K=0.702804

No	ITEMS	2011	2010	2011	2010
		LVL	LVL	EUR	EUR
1	Income from sales and services	486568	739778	692324	1052609
2	Payments to suppliers, to employees and other expenses for production	-496206	-748775	-706038	-1065411
3	Other income or expenses for economic activities	36527	13526	51973	19246
4	Cash flow from gross operating activities	26889	4529	38259	6444
5	Real estate tax payments	-29186	-27475	-41528	-39093
I.	Net cash flow from operating activities	-2297	-22946	-3269	-32649

II. Cash flow from investment activities

No	ITEMS	2011	2010	2011	2010
		LVL	LVL	EUR	EUR
1	Purchase of parts of enterprises		-200		-285
2	Sales of intangible and fixed assets	13075	3582	18604	5097
3	Given loans	-15000	-66503	-21343	-94625
4	Repaid loans	15000	145480	21343	206999
5	Received interest		1261		1795
II.	Net cash from investment activities	13075	83620	18604	118981

III. Cash flow from financing

No	ITEMS	2011	2010	2011	2010
		LVL	LVL	EUR	EUR
1	Advance received as financing of KPFI project	367175		522443	
2	Received interest for deposit		30		43
III.	Net cash flow from financing	367175	30	522443	43

SUMMARY OF CASH INCOME AND EXPENDITURE

No	ITEMS	2011	2010	2011	2010
		LVL	LVL	EUR	EUR
I.	The result from operating activities	-2297	-22946	-3269	-32649
II.	The result from investment activities	13075	83620	18604	118981
III.	The result from financing	367175	30	522443	43
IV.	The result from currency rate fluctuations	-2120	1950	-3016	2774
V.	Cash increase or decrease	375833	62654	534762	89149
VI.	Cash and cash equivalents at the beginning of the reporting period	113664	51010	161729	72580
VII.	Cash and cash equivalents at the end of the reporting period	489497	113664	696491	161729

STATEMENT OF EXCHANGES IN EQUITY
for the year 2011

LVL	At the end of the accounting year	At the end of previous year
Share capital	3565509	3565509
Retained profit		
Retained profit brought forward from previous years	-1596630	-1703607
Correction		106977
Profit of the accounting year	-342998	
Total profit in the balance sheet at the end of the accounting year	-1939628	-1596630
Equity	1625881	1968879

EUR	At the end of the accounting year	At the end of previous year
Share capital	5073262	5073262
Retained profit		
Retained profit brought forward from previous years	-2271800	-2424014
Correction		152214
Profit of the accounting year	-488042	
Total profit in the balance sheet at the end of the accounting year	-2759842	-2271800
Equity	2313420	2801462

NOTES TO FINANCIAL STATEMENTS

1. General principles

The annual report is prepared in accordance with the law „On accountancy”, „On the annual reports”, Regulations No.488 issued by the Cabinet of Ministers of the Republic of Latvia “Regulations on enforcement policies of the law on annual reports” and Regulations No.481 issued by the Cabinet of Ministers of the Republic of Latvia “Regulations on content and preparation procedures of the cash flow statement and statement of changes in equity”.

Profit or loss account is prepared in accordance with methods of turnover expenses.

Statement of cash flows is prepared using the direct method.

The financial statements include comparable information of the same period of the previous year.

The financial statements are presented in the national currency of Latvia, the lat (LVL) and in euro (EUR).

2. Accounting policy

The accounting policy of the Company was developed to ensure that the information is:

- applicable for decision making;
- is credible and fairly presents the results of activities and the financial position;
- reveals economic essence of a deal;
- is not prejudiced;
- is prudent;
- is complete is all essential aspects.

The reporting period is

January 1, 2011 till December 31, 2011.

Accounts in 2011 are kept according to the approved chart of accounts of the enterprise.

2.1. The synthetic register of accounting is general ledger. The entries in it are made from the grouping reports of economic operations. Registers of analytic accounting are accounting entry books, lists and cards.

2.2. Computers and software developed by “Bilance”, Ltd. are used to compile accounting registers.

2.3. Balances of assets were checked-up in an inventory from 01.11.2011 until 31.12.2011.

2.4. Depreciation of fixed assets is calculated using the straight-line method applying the depreciation rates set by management.

Kind of fixed assets	Rate of depreciation	
	In financial accounts	
Buildings, constructions and transmission devices	From 1,0% to 8,3 %	
	Gados	Mēnešos
Equipment and machinery		
Loading devices and machinery	2	24
Technological equipment and machinery, working in adverse conditions	4	48
Technological equipment for production, laboratory equipment (measurement equipment)	5	60
Thermal technical equipment, pumps and compressors, ventilation equipment	7	84
Power units, electric motors, telecommunication equipment	8	96
Vehicles (cars, trucks and trailers)	5	60
Other fixed assets and inventory		
Office equipment and inventory	10	120
Computers, software, xeroxes and electronic cash-registers	5	60
Inventory used in production and for transportation and storage of goods	3	36
Other inventory	5	60

2.5. Stock of materials and purchased parts is estimated using weighted average prices.

2.6. Stock of finished goods is valued in accordance with the lowest market price.

2.7. Foreign currency in bank accounts and in treasury is translated into Lats in accordance with the official Bank of Latvia exchange rate for the last day of reporting period.

Foreign currency	31.12.2011	31.12.2010
USD	0.544	0.535
EUR	0.702804	0.702804
RUR	0.017	0.0176

2.8. All debts are real and reconciled with debtors and creditors. Debts in foreign currency are translated into Lats in accordance with the official Bank of Latvia exchange rate for the last day of reporting period. The resulting profit or loss is revealed in profit or loss account of the period.

2.9. In compliance with the law „On annual reports” deferred taxation liabilities are to be calculated for the beginning of the year 2011 and at the end of it and included in balance sheet. Changes in liabilities of deferred income tax are to be revealed in profit or loss account.

*JSC „Rīgas autoelektroaparātu rūpnīca”
Annual report of 2011*

Deferred income tax is calculated by liability method including all temporary differences between asset and liability values in financial statements and their values in the calculations for taxes. Assets of deferred income tax are accepted only if it is expected to regain them.

The figures on the beginning of the year are corrected including the deal of the previous period concerning sale of a part of real estate.

Corrected rows in balance sheet:

	In the report of 2011 for the year 2010	In the report of 2010
Fixed assets – land, buildings and constructions	417249	480176
Debtors – other debtors	215867	63533
Retained profit brought forward from previous years	-1596630	-1703607
Creditors - prepayments received from purchasers	0	17570

Corrected rows in profit or loss account:

	In the report of 2011 for the year 2010	In the report of 2010
Production costs of goods sold (regarding amortization)	847166	848645
Other costs of economic activities (regarding non-repayable VAT regarding nontaxable deal)	38798	38094

3. Buildings, constructions and land are registered in Land Register and is the property of „RAR”. Balance sheet –row code 040

Balance value on Dec. 31, 2011:	421095 LVL	on January 1, 2011	443227 LVL
including: buildings and constructions-	308799LVL		330931 LVL
land -	112296 LVL		112296 LVL
Cadastral value on Jan. 01, 2012	2281525LVL		
Cadastral value of the buildings -	1559531LVL		
Cadastral value of the land -	721994 LVL		

Statement of changes in fixed assets in 2011

	Land	Buildings and constructions	Equipment and machinery	Other fixed assets and inventory	Total
	LVL	LVL	LVL	LVL	LVL

Historical or re-valued cost

Historical or re-valued cost on January 1, 2011	112296	577535	1501122	105939	2296892
Obtained				122	122
Disposals			42538	1786	44324
Historical or re-valued cost on December 31, 2011	112296	577535	1458584	104275	2252690

Depreciation

On January 1, 2011	0	272582	1475818	105265	1853665
Charge for the year		8020	13784	405	22209
Disposals			42538	1741	44279
On December 31, 2011	0	280602	1447064	103929	1831595

Net book value on January 1, 2011	112296	304953	25304	674	443227
Net book value on December 31, 2011	112296	296933	11520	346	421095

Profit or loss account includes depreciation; balance sheet reveals net book value.

4. Inventory. Balance sheet –row code 100

4.1. As production costs of goods sold are higher than income from sale, stock of finished goods is valued at the lowest market price. 78122 LVL are written off because of partial write-down of the stock's value

4.2. Advance payments for goods.

<i>Business partner</i>	<i>Advance payment</i>	<i>Total in LVL 31.12.2011</i>	<i>Total in LVL 01.01.2011</i>
Enterprises of Latvia	For materials		44
Enterprises of China	For materials	12081	128
Enterprises of Latvia	For outfit	3373	25863
	TOTAL	15454	26035

5. Receivables

5.1. Purchasers' debts. Balance sheet –row code 130

<i>Business partner</i>	<i>Debt</i>	<i>Total in LVL 31.12.2011</i>	<i>Total in LVL 01.01.2011</i>
Enterprises of Russia	For the goods		156453
Enterprises of Belarus	For the goods	11994	10789
Enterprise of Ukraine	For the goods	4826	
Enterprises of Latvia	For the goods	56864	9479
	Total:	73684	176721

Customers' debts are real. According to the signed contracts customers shall pay for the delivered production in 30 up to 60 days. Enterprises of Belarus fall behind the term of payment.

5.2. Other receivables. Balance sheet –row code 140.

<i>Business partner</i>	<i>Debt</i>	<i>Total in LVL 31.12.2011</i>	<i>Total in LVL 01.01.2011</i>
Enterprises of Latvia	Agreement of lease, el. power, water, thermal energy and services	36	3356
Enterprises of Latvia	For materials	1365	1365
Enterprise of Belarus	For materials and outfit	41109	11617
Enterprises of Latvia	For the equipment	6360	5140
Enterprises of Latvia	For real estate	158131	158131
Enterprise of Belarus	For the equipment	28499	28499
Other enterprises of Latvia	Other debts	9	14
Employees of the enterprise	Settlements for business trips and other operating expenses	982	69
State Revenue Service	Overpaid taxes (VAT)		6510
Enterprises of Latvia	VAT on unpaid invoices		1165
Total:		236491	215867

- Term of payment - within three years

5.3. Short term loans Balance sheet –row code 150

<i>Business partner</i>	<i>Debt</i>	<i>Total in LVL 31.12.2011</i>	<i>Total in LVL 01.01.2011</i>
Enterprises of Latvia	Agreements: Repayment – December 2012	75640	75640
Total:		75640	75640

6. Cash and cash equivalents. Balance sheet –row code 180

<i>Currency</i>	<i>Balance in currency</i>	<i>Exchange rate of the Bank of Latvia</i>	<i>Balance LVL As on Dec. 31, 2011</i>	<i>Balance LVL As on January 1, 2011</i>
LVL			376875.77	22903.60
USD	65687.07	0.544	35733.76	58384.51
EUR	1267.40	0.702804	892.14	31240.71
RUR	4470333.25	0.017	75995.67	1135.55
Total			489497.34	113664.37

367175 LVL is an advance payment from „Vides investīciju fonds” within the KPFI project. This money temporarily is blocked.

9. Share capital.

The share capital in 2010 is 3565509 LVL.

Nominal value of a share is 1.00 LVL.

There are 1802723 registered shares and 1762786 bearer’s shares.

All the shares have equal rights.

8. Other provisions. Balance sheet row code – 250

In accordance with the law „On the annual reports” provisions for vacations of 2011 are calculated in total 9674 LVL.

The provisions for vacations of 2010 were calculated 8235 LVL.

9. Short term creditors

9.1. Accounts payable to suppliers and contractors. Balance sheet row code – 270

<i>Business partner</i>	<i>Substantiation</i>	<i>Total in LVL 31.12.2011</i>	<i>Total in LVL 01.01.2011</i>
PSJSC „Latvenergo”	Contract		6373
ME „Rīgas ūdens”	Contract	212	210
NasdaqOMX	Stock exchange payments	762	756
Enterprises of Latvia	Rental	11777	
Enterprise of Latvia	For materials and sub-components	106853	37118
Other enterprises of Latvia	Different services	11772	2920
Total:		131376	47377

9.2. Taxes and State mandatory social insurance payments. Balance sheet row code – 280

<i>Tax</i>	<i>Date of payment</i>	<i>Total in LVL 31.12.2011</i>	<i>Total in LVL 01.01.2011</i>
Personal income tax	January, 2011	2799	2061
Social security payments	January, 2011	4750	1474
Business risk fee	January, 2011	8	
VAT		3350	
Total:		10907	3545

Taxes: (LVL)

<i>Item</i>	<i>Dec.31,2010 Overpaid (-) Debt(+)</i>	<i>Calculated in 2011</i>	<i>Fine</i>	<i>Paid in 2011</i>	<i>Received repay- ment</i>	<i>Dec.31,2011 Overpaid (-) Debt(+)</i>
Personal income tax	2061,10	43214,35	0,92	38747,05 3730,12*		2799,20
Social security payments	1483,43	72281,54		59161,53 9853,01*		4750,43
Real estate tax	0	29186,18		29186,18		0
Business risk fee	0	144,75		137,25		7,5
Value added tax	-6510,22	-35318,67	598,42	6,70 -13583,13*	31003,78	3349,74

*Shifted for payments of other taxes.

In 2007 JSC „RAR” signed contract with „Zaļā josta”, Ltd for recovery of used wrapping materials and was exempted from natural resource tax for wrapping materials.

9.3. Other creditors. Balance sheet row code 290

<i>Debt</i>	<i>Date of payment</i>	<i>Total in LVL 31.12.2010</i>	<i>Total in LVL 01.01.2010</i>
Salary	January, 2011	9672	6453
Other creditors		1987	1474
Total:		11659	7927

9.4. Next period income. Balance sheet row code 300

Received advance for KPFI project 367175 LVL

9.5. Accrued liabilities. Balance sheet row code 310

4594 LVL for different services received in December 2011.

10. Notes to profit or loss account

Net turnover is income from basic economic activities of the Company. It consists of total value of sold goods and delivered services without discounts and value added tax. Production costs of sold goods are expenses for used materials, all kind of services and energy, costs for personnel, amortization of tangible assets and writing-off of intangible assets as well as other expenses (expenses for labour safety, certification of the goods etc.)

10.1. Breakdown of net turnover by kind of production: (LVL and %)

	<i>Net turnover Total:</i>	<i>Including</i>		
		<i>Control and measuring devices for vehicles</i>	<i>Locks</i>	<i>Different orders</i>
2011	372482	359044	2063	11374
%	100	96.4	0.6	3.0
2010	803089	791697	4050	7342
%	100	98.6	0.5	0.9

10.2. Breakdown of net turnover by geographical markets: (LVL and %)

	<i>Net turnover Total</i>	<i>including</i>				
		<i>Russia</i>	<i>Belarus</i>	<i>Ukraine</i>	<i>EU</i>	<i>Latvia</i>
2010	372482	165317	1205	142283	17301	46376
%	100	44.4	0.3	38.2	4.6	12.5
2011	803089	431740	22455	319145	10899	18850
%	100	53.8	2.8	39.7	1.4	2.3

<i>Row code</i>	<i>Item</i>	<i>2011 LVL</i>	<i>2010 LVL</i>	<i>% vs. 2010</i>
010	Net turnover	372482	803089	46.4

The net turnover in 2011 decreased and was 46.4% of the previous year.

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Row code	Item	2011 LVL	2010 LVL
10	Net turnover	372482	803089
	including - income from basic activities, liable to VAT	46376	18850
	- income, liable to 0% VAT	326106	784239

20	Production costs for goods sold	443245	847166
	including -costs of materials and sub-components including transport expenses, custom fees and import duties	161189	292093
	- salaries and social security payments	175977	297915
	- provisions for vacations	6262	5110
	- energy resources	37737	101113
	- contracts (for repairing works and maintenance of different systems)	16012	32997
	- amortization	22002	104711
	- different operating costs	24066	13227

30	Gross profit or loss	-70763	-44077
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40	Sales costs, total:	17368	28142
	Incl. - salaries and social security payments	11631	9876
	- provisions for vacations		787
	- wrapping and transport costs	5107	15257
	- write-off of a bad debt		831
	- other selling expenses	630	1391

50	Administrative expenses	165171	272252
	including - salaries and social security payments	86563	79842
	- provisions for vacations	169	2338
	- communication expenses	4358	5283
	- office expenses	737	794
	- expenses due to annual report	2000	2000
	- bank services	12427	1744
	- transport expenses for administration	3960	2676
	- fee of Stock exchange	5000	5000
	- marketing, legal and other services		168952
	- other administrative expenses	49957	3623

60	Other income from economic activities:	71665	78595
	- income from sales of fixed assets	12447	32611
	- sales of materials and outfit	44335	15459
	- income from rent charges	8148	22174
	- other income	6735	8351

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Annual report of 2011*

Row code	Item	2011 LVL	2010 LVL
70	Other costs of economic activities:	132175	38798
	including- from sales of foreign currency	4860	830
	- fines	599	31
	- expenses due to substitution of devices during guarantee period	1282	2319
	- electric power for renters	7155	18946
	- write-off of fixed assets because of selling	45	
	- write down of stock's value	78122	
	- other expenses	40112	16672
80	Other interest income and similar income	0	1291
90	Interest payments and similar expenses	0	0
100	Profit or loss before extraordinary items and taxes	-313812	-303383
110	Profit or loss before taxes	-313812	-303383
120	Income tax for the reporting period as in Income Tax Statement	0	0
130	Other taxes	29186	27474
140	Profit or loss for the period after taxes (net income)	-342998	-330857

11. Because of great losses there ensued assets of deferred income tax in 2011. As there is no confidence that the enterprise will gain profit in next years, the assets are not admitted.

12. Deals with affiliated companies.

The affiliated companies are JSC „Baltijas Holdings”, „Tehprojekts”, Ltd and “BH Autoaparats” Ltd.

In 2011 there were no deals between JSC „RAR” and JSC „Baltijas Holdings”.

Bussines deals between JSC „RAR”, “BH Autoaparats” Ltd and „Tehprojekts”, Ltd were concluded in market prices. Correction of interests of loans is included in the declaration of enterprise income tax.

13. Management remuneration

	Number of members	In 2011		In 2010	
		Salary LVL	Social security payments of employer LVL	Salary LVL	Social security payments of employer LVL
Council	5	24000,00	5781,60	23000.00	5540.70
Board	3	12258,31	2659,92	20307.34	4271.74
Total		36258,31	8441,52	43307.34	9812.44

14. The company's key figures in 2011:

- 1) balance total – 2161266 LVL
- 2) net turnover – 372482 LVL
- 3) average number of employees - 40

15. There are no pledged assets, guarantees or non-balance liabilities for the enterprise.

In compliance with the law “On qualified auditors” and “On the annual reports” the annual report must be audited by certified auditors.

The recompense to the auditing company “SARGUNS” for auditing the annual report for the year 2011 is 2000.00 LVL and 22% VAT 440.00 LVL or in total 2440.00 LVL.

Chairman of the Board

A.Auzinsh

Members of the Board

Z.Kalninch

M.Araslanovs

INDEPENDENT AUDITORS' REPORT

To the shareholders of JSC „Rīgas Autoelektrorparātu rūpnīca”

Report on Financial Statements

We have audited the financial statements on pages 7 to 22 included in the annual report of 2011 of JSC „Rīgas Autoelektrorparātu rūpnīca”. The audited financial statements include the balance sheet as on 31 December 2011, profit or loss account of 2011, statement of exchanges in equity and statement of cash flows as well as the review of significant accounting principles and other explanatory information in notes.

Responsibility of the Management for the preparation of Financial Statements

The management is responsible for preparation of this report and fair presentation of provided information in accordance with the law of the Republic of Latvia “On the annual reports”. This responsibility includes designing, implementation and maintaining of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying of appropriate accounting policies as well as making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

We are responsible for the resolution we express on these financial statements basing on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgement, including the assessment, of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of JSC „Rīgas Autoelektrorparātu rūpnīca” as on 31 December, 2011 as well as of its financial performance and its cash flows for the year 2011 in accordance with the “Law on the annual reports” of the Republic of Latvia.

Report on conformity of Management Report

We have read the Management Report on the Annual report of 2011 set out on pages 3 to 6 and have not identified material inconsistencies between the financial information revealed in the Management Report and that in the financial statements for 2011.

SIA AUDITORFIRMA „SARGUNS”
Certificate No. 18

Ēvalds Figurnovs
Certified auditor of LR
Certificate No 38

Ēvalds Figurnovs
Chairman of the Board

Riga, April 11, 2012